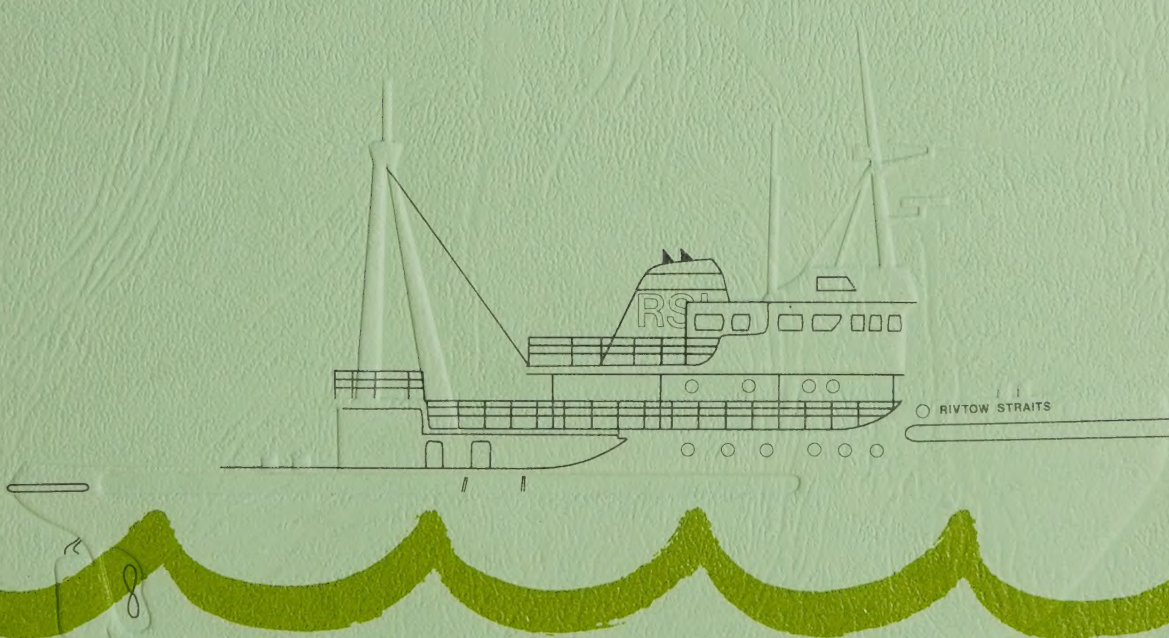


AR10

CanCorp

ANNUAL
REPORT
1972

RIVTOW STRAITS LIMITED



PARTIALLY OWNED COMPANIES

Sechelt Sand & Gravel Ltd.
Ruskin Industries & Aggregate Ltd.
Tilbury Island Terminals Ltd.
Arctic Navigation & Transportation Ltd.
Seaway Estates Ltd.
Rivport Terminals Ltd.
Bute Towing Ltd.
Nelson Ready Mix Concrete Ltd.
Westbank Ready Mix Concrete Ltd.

R.S.L. OPERATING BASES

Vancouver
Prince Rupert
Stewart
Kitimat
Terrace
Masset
Harrison

WHOLLY OWNED SUBSIDIARIES

B.C. Marine Shipbuilders Ltd.
John Manly Ltd.
Western Propellers Ltd.
Pacific Rim Aggregates
Rupert Cement Products (1965) Ltd.
Avalon Log Sorting Ltd.
Prince Rupert Terminals Ltd.



RIVTOW STRAITS LIMITED

ANNUAL GENERAL MEETING

York Room, Hotel Georgia, Vancouver, Canada

June 14th, 1973

2:00 p.m. Vancouver time

DIRECTORS

George B. McKeen
Cecil S. Cosulich
Norman R. Cosulich
Lucille M. Johnstone
Arthur B. Christopher
Ronald L. Cliff
Harold M. Gale
John Pearson

EXECUTIVE OFFICERS

George B. McKeen, Chairman of the Board
Cecil S. Cosulich, President & Chief Executive Officer
Norman R. Cosulich, Vice-President—Operations
Lucille M. Johnstone, Vice-President—Administration

SECRETARY

David A. Lawson

HEAD OFFICE

2215 Commissioner Street, Vancouver 6, Canada
Phone—Area Code 604-255-1133

BANKERS

The Royal Bank of Canada

AUDITORS

Thorne Gunn and Co.

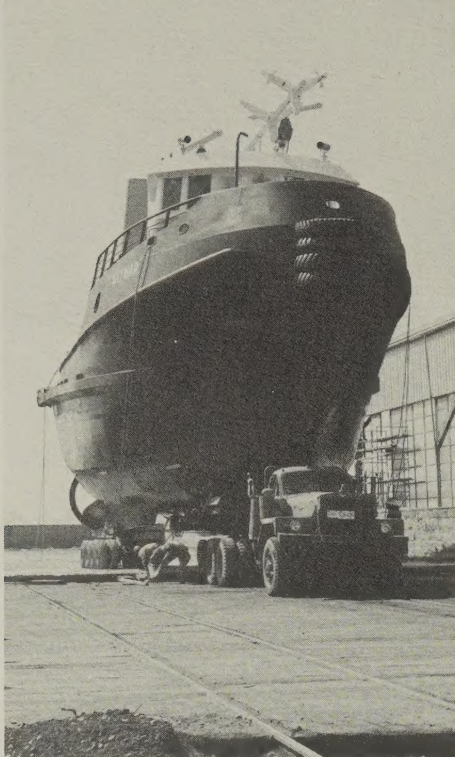
TRANSFER AGENTS & REGISTRAR

National Trust Company, Limited,
Vancouver, Canada

STOCK LISTING

Vancouver Stock Exchange

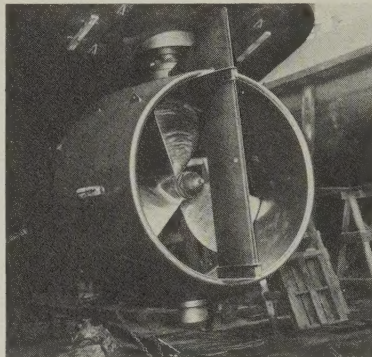




800 H.P. steel tug recently built by John Manly Ltd.



House moving—a specialty of Bute Towing.



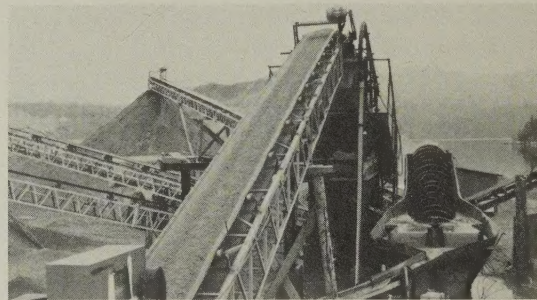
We build these Kort Nozzles.



10,000 ton capacity log barge "RivTow Carrier" approaching First Narrows.



The Gibraltar Straits delivering a paper barge to Searsport, Maine.
Custom forging at B.C. Marine Shipbuilders.

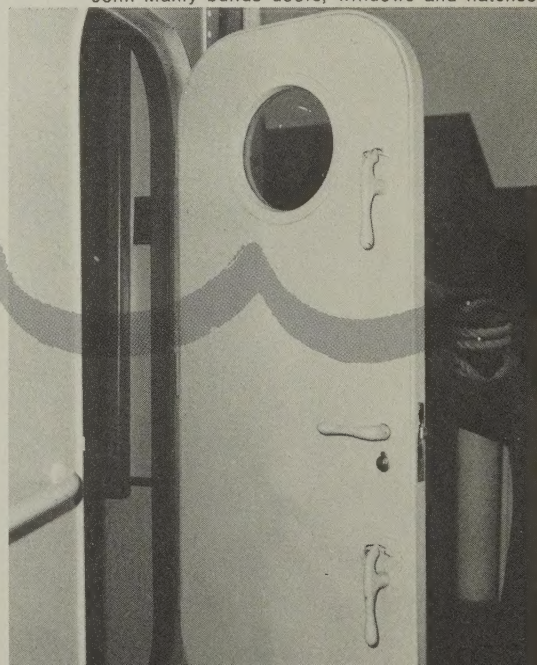
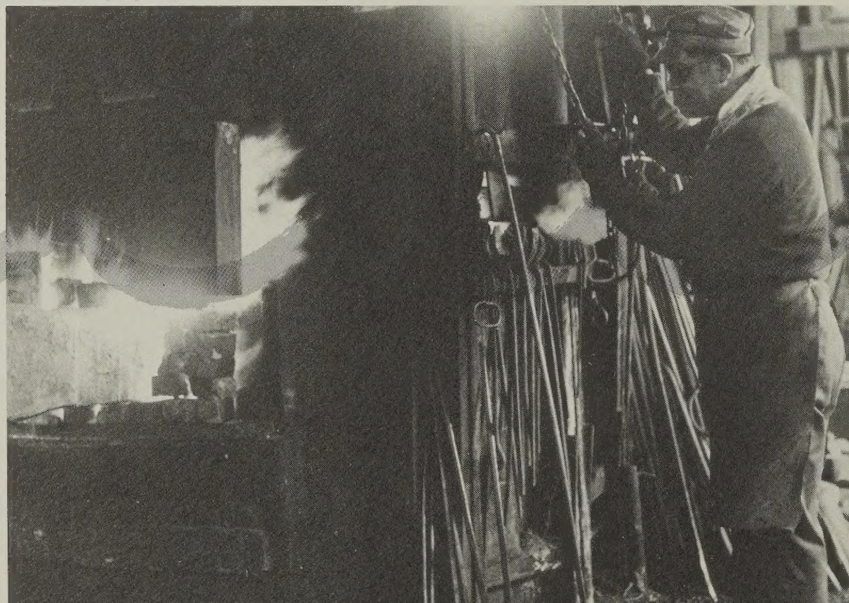


Processing gravel at Sechelt.



Aluminum pilot boat constructed for the Canadian Pilotage Authority.

John Manly builds doors, windows and hatches.



REPORT TO THE SHAREHOLDERS

1972 has proven to be the year that has seen your Company turn the corner from the serious difficulties that have plagued us since our inception in 1970.

The labour problems which troubled our customers and our own industry have at least for the present been mostly resolved.

In the marine industry, generous settlements were arrived at with our various unions without work stoppage. The labour contracts with our marine personnel are for a three year period, shipyards—a 2 year period and log barge loaders—a 30 month period. Therefore, the industry can confidently forward plan its activities.

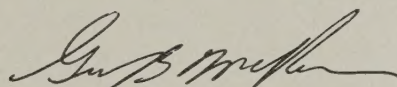
The demand for forest products remains strong. Lumber prices are at an all time high. It is forecast that the market will continue to be buoyant. At the same time the pulp and paper segments of the industry have improved significantly as world demand has caught up to available supply.

The products of the forest are the major bulk commodities to be transported by your Company and will continue to remain so. During this time of strong demand for forest products your

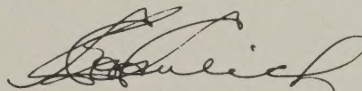
Company must utilize all its resources to continue to serve its customers to the best of its ability while continuing to pursue its policy of integration and diversity. Significant advances have been made in our gravel holdings and ready mix position.

A modest profit is reflected in your 1972 statement. We feel that the net improvement is somewhat more impressive. 1973 should be an even better year for your Company.

Any company is only as strong as the effectiveness of its staff and employees. We feel particularly grateful to our personnel who have shown such devotion and willingness to work during our recent difficult years. On behalf of the Board we most sincerely express our appreciation.



George B. McKeen
Chairman of the Board



Cecil S. Cosulich
President and Chief Executive Officer

COMPANY HISTORY

RivTow Straits Limited was incorporated in 1970 by the merger of Straits Towing Limited and RivTow Marine Ltd. Straits and RivTow were well-known B.C. family companies which had grown with towboating in B.C.

The intent of the new Company was to diversify its operation to become less vulnerable to the cyclical trends of the towboat business. Despite the influences of the 1970-1971 recession and extensive labour disruptions this policy has persisted. The Company is continuing to pursue this philosophy and is now engaged in operating a broader range of tug and barge and shipbuilding services. It is also active in the trucking business, sand and gravel, ready mix and a rail barge terminal system.

We expect 1973 will see the Company associated with a new tug and barge operation on the Mackenzie River.

The newer services offered by RivTow Straits Limited are still a minor percentage of the corporate income but should significantly reflect their influence in the coming years.

THE COMPANY

RivTow Straits Limited is a public company incorporated under the B.C. Companies Act, the shares of which are listed on the Vancouver Stock Exchange.

The Company is principally engaged in marine towing in Western Canada. There were approximately 750 personnel employed in 1972 who are experienced in various fields relevant to the versatile operations of the Company.

OPERATIONS

Some of the many services provided by RivTow Straits Limited are transportation of lumber, logs, wood chips, petroleum products, heavy freight equipment, roll-on roll-off, house moving, lime rock, pebbled lime and sand and gravel.

The Company also provides regularly scheduled freight runs and owns a trucking company based in Prince Rupert. Water taxis and bare boat charter services are also available.

RivTow Straits Limited handle over one and a half billion F.B.M. of forest products per annum through phases of log barging, towing, storage, and delivery.

Sorting and booming grounds are established at Blind Bay near Nelson Island, in Howe Sound, at Avalon, West Bay, and Plowden Bay. On the Fraser River the sorting grounds are at Pitt River, Mission, and Hope. The Hope sort is utilized for collection of logs that are driven through the Fraser Canyon, considered one of the most unusual fast water log drives anywhere. Annual sorting capacity is over 500,000M F.B.M. The Company has leases capable of storing 20,000 log sections.

In the past many long distance towing contracts have been completed to places such as Japan, Panama, Alaska, Mexico, the U.S. eastern seaboard, and the Great Lakes. In the early part of 1972 we successfully towed a 7500 ton capacity paper barge from the west coast via the Panama Canal to Searsport Maine.

The Aggregates Divisions of the Company expect to market approximately 650,000 tons of sand and gravel in 1973 in Vancouver, Prince

Rupert, Nelson and Kelowna. These communities are also served by R.S.L.'s Ready Mix Division, consisting of Rupert Cement Products (1965) Ltd., Nelson Ready Mix Concrete Ltd. and Westbank Ready Mix Concrete Ltd.

Tilbury Island Terminals Ltd. situated in Delta is now operational as a terminus for both rail and truck coastal barging, primarily to Vancouver Island.

The Company will also expect to enjoy a participation in the Mackenzie River and Arctic regions through its newest partially-owned subsidiary, Arctic Navigation and Transportation Co. Ltd.

The Company's shipyards, B.C. Marine Shipbuilders Ltd. and John Manly Ltd. construct, refit and repair vessels from boom boats and personnel carriers to vessels of medium size such as the B.C. Auto Ferry presently under construction at B.C. Marine. B.C. Marine Shipbuilders Limited compliments its shipbuilding business with custom-forging and machining. It markets such items as picks, drop-forged hammers, and forks for fork lifts.

John Manly Ltd. holds a licenced franchise for the construction and supply of the Kort Nozzle and the Willi Becker Rudder. Its affiliate (Western Propeller Ltd.) builds and repairs ship's propellers from small outboard models to large wheels used on modern freighters.



ASSETS

	1972	1971 restated (note 1)
CURRENT ASSETS		
Cash	\$ 26,319	\$ 5,711
Short-term deposits and investments, at cost which approximates market value	138,000	48,458
Deposits with the Minister of Industry	296,303	533,086
Accounts receivable	3,834,609	3,417,348
Inventories		
Materials and supplies, at lower of cost and replacement cost	375,733	269,688
Work in progress net of progress billings on contracts	219,599	147,116
Products for resale, at lower of cost and net realizable value	75,127	49,037
Prepaid expenses	242,461	399,170
	5,208,151	4,869,614
INVESTMENTS AND NON-CURRENT RECEIVABLES (NOTE 2)		
Investment in affiliated companies, at cost plus increase in equity from dates of acquisition (note 2)	190,667	175,052
Investments in other companies	71,310	51,261
Advances to affiliated and other companies	396,842	244,381
Notes, mortgages and accounts receivable, net of current portion	258,338	138,830
Insurance proceeds receivable	—	1,463,400
	917,157	2,072,924
FIXED ASSETS (NOTES 3 AND 8)		
Vessels, plant and equipment	19,918,169	18,660,808
Less accumulated depreciation	3,414,219	2,613,319
	16,503,950	16,047,489
Construction in progress	126,797	127,664
Land, including leasehold interests	4,030,747	3,957,966
	20,661,494	20,133,119
	\$26,786,802	\$27,075,657

Approved by the Board

G. B. M. [Signature] Director
[Signature] Director



RIVTOW STRAITS LIMITED and Subsidiary Companies

RIVTOW
(Incorporated under
and sub

CONSOLIDATED BALANCE SHEET
(with comparative figures)

LIABILITIES

	1972	1971 restated (note 1)
CURRENT LIABILITIES		
Bank advances (note 4)	\$ 1,974,750	\$ 2,179,531
Accounts payable and accrued liabilities	3,917,032	3,011,516
Principal instalments due within one year on long-term debt	1,876,454	1,626,115
Income taxes payable	17,636	4,654
	7,785,872	6,821,816
LONG-TERM DEBT (NOTE 5)	6,455,363	7,958,242
DEFERRED INCOME TAXES (NOTE 6)	451,430	541,872
MINORITY INTEREST (NOTE 7)	34,483	35,622

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized		
3,000,000 Common shares par value \$1		
Issued		
2,000,000 Shares	2,000,000	2,000,000

CONTRIBUTED SURPLUS

Premium on issue of common shares	10,000,000	10,000,000
-----------------------------------	------------	------------

RETAINED EARNINGS (DEFICIT)

	59,654	(281,895)
	12,059,654	11,718,105
	\$26,786,802	\$27,075,657
Commitments and Contingent Liabilities (note 7)		
Subsequent Event (note 11)		

LIMITED
of British Columbia)
Companies

ET AT DECEMBER 31, 1972

December 31, 1971)

	1972	1971 restated (note 1)
Income before items shown separately below	\$2,373,430	\$2,232,768
Interest income	15,294	9,556
Proceeds received in excess of book values on vessel dispositions	77,046	1,910
	<u>2,465,770</u>	<u>2,244,234</u>
Depreciation (note 8)	1,369,509	1,340,392
Directors' remuneration	129,479	129,900
Interest on long-term debt	723,531	738,893
	<u>2,222,519</u>	<u>2,209,185</u>
Income before income taxes and extraordinary items	243,251	35,049
Current income taxes (note 6)	83,000	5,465
	<u>160,251</u>	<u>29,584</u>
Equity in net income of affiliated companies (note 2)	12,356	3,061
Income before extraordinary items	<u>172,607</u>	<u>32,645</u>
Extraordinary credits (charges) (note 9)	168,942	(56,835)
NET INCOME (LOSS) FOR THE YEAR	<u>341,549</u>	<u>(24,190)</u>
Deficit at beginning of year		
As previously reported	160,397	269,696
Adjustment of prior year's income (note 1)	136,550	
Adjustment for equity in accumulated earnings of affiliated company (note 1)	(15,052)	(11,991)
As restated	<u>281,895</u>	<u>257,705</u>
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	<u>\$ 59,654</u>	<u>\$ (281,895)</u>
Earnings (loss) per share		
Income before extraordinary item	<u>\$.08</u>	<u>\$.02</u>
Net income (loss) for the year	<u>\$.17</u>	<u>\$ (.01)</u>

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Year Ended December 31, 1972

(with comparative figures for 1971)

RIVTOW STRAITS LIMITED and Subsidiary Companies

<i>SOURCE OF FUNDS</i>	<u>1972</u>	<u>1971</u> restated (note 1)
Operations		
Net income (loss) for the year	\$ 341,549	\$ (24,190)
Items not involving current funds		
Depreciation	1,369,509	1,340,392
Deferred income taxes	(90,442)	—
Equity in net income of affiliated companies	(12,356)	(3,061)
Proceeds received in excess of book values on vessel dispositions	(77,046)	(1,910)
	<u>1,531,214</u>	<u>1,311,231</u>
Insurance proceeds	563,400	736,600
Proceeds from disposition of fixed assets	484,158	227,347
Working capital of acquired subsidiaries in excess of funds used for acquisition	124,210	—
Bank refinancing and other long-term debt		3,610,000
Other	(1,139)	(1,116)
	<u>2,701,843</u>	<u>5,884,062</u>
<i>APPLICATION OF FUNDS</i>		
Purchase of fixed assets	1,940,353	1,415,843
Less		
Related long -term borrowings	(285,714)	(184,232)
Related insurance proceeds	(900,000)	—
	<u>754,639</u>	<u>1,231,611</u>
Increase in other assets	292,018	111,906
Long-term debt paid or currently maturing	1,950,512	2,993,782
Discounts on sales of maritime proceeds	330,193	105,718
Acquisition of interest in subsidiary companies less working capital and unpaid purchase consideration at date of acquisition	—	732,146
	<u>3,327,362</u>	<u>5,175,163</u>
<i>DECREASE (INCREASE) IN WORKING CAPITAL</i>	<u>625,519</u>	<u>(708,899)</u>
<i>WORKING CAPITAL DEFICIENCY AT BEGINNING OF YEAR</i>	<u>1,952,202</u>	<u>2,661,101</u>
<i>WORKING CAPITAL DEFICIENCY AT END OF YEAR</i>	<u>\$2,577,721</u>	<u>\$1,952,202</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1972

(with comparative figures for 1971)

1. BASIS OF REPORTING

(a) Consolidation

The consolidated financial statements include the accounts of RivTow Straits Limited, its subsidiary companies and Straits Tug Limited, not a subsidiary but included because Straits Towing Limited holds an option to acquire all of its outstanding shares for a nominal amount.

During 1972, the company acquired all of the issued shares of John Manly Ltd., John Manly Equipment Ltd., and Western Propellor Ltd. The earnings of these subsidiaries have been included in the consolidated statement of income and retained earnings from the date of acquisition.

(b) Comparative figures

In 1971 the company estimated the income receivable on a salvage claim. During the year an insurance arbitration board awarded an amount less than the estimate with the result that the income for 1971 has been reduced \$136,550 (\$.07 per share).

The equity in the undistributed earnings of an affiliated company has been recorded retroactively and the accounts restated to reflect that portion relating to prior periods.

2. INVESTMENTS AND NON-CURRENT RECEIVABLES

The company has a minority share interest in Bute Towing Limited and an option exercisable to December 30, 1976 to acquire the balance of the issued shares.

The investments in this and another affiliated company are accounted for by the equity method. The remaining investments are carried at cost as it is considered inappropriate to account for them on an equity basis.

3. FIXED ASSETS

RivTow Straits Limited was incorporated on July 14, 1970 and, by a "Scheme of Arrangement" under the B.C. Companies Act, acquired all of the outstanding shares of Straits Towing Limited and RivTow Marine Ltd. with effect from November 16, 1970. The initial shareholders' equity of \$12,000,000 represented by the 2,000,000 shares issued at \$6 each, reflected appraised values of the principal fixed assets owned by the companies. Vessels were valued at amounts approximating appraisals in April 1970 by J. P. Brown, Principal Surveyor, Marine Surveyors of Western Canada, less allowances for the fact that such values exceed amounts recognized by the tax authorities for purposes of determining future write-offs; plant and equipment other than vessels are carried at a nominal amount; values

of most of the lands were arrived at by appraisers of Macaulay, Nicolls, Maitland & Co. Ltd. in March and April 1970; the values of the remaining properties, relatively minor amounts, were determined by officials of the companies. All additions subsequent to the dates of appraisals are stated at cost.

The net book value of depreciable assets of \$16,503,950 is approximately \$2,000,000 in excess of the amount that may be claimed for income tax purposes. The difference represents the residue of appraisal increments and adjustments to fixed asset carrying values which are not available as write-offs for tax purposes but it is anticipated that transactions with respect to vessels in 1973 will have the effect of reducing materially this non-deductible portion.

The leases are of varying terms up to 20 years. Customarily, they are extended upon application by the lessee and consequently are considered to have a perpetual life.

4. BANK ADVANCES

These are secured by assignment of accounts receivable, marine mortgages on specified vessels and a debenture creating a floating charge on the assets ranking *pari passu* with a similar floating charge created by the issue of a debenture securing the long-term loan from the Industrial Development Bank.

5. LONG-TERM DEBT

	<u>Total</u>	<u>Due within one year</u>
Royal Bank term loan, due 1976, bearing interest at 1½% above the prime rate, secured by general assignment of accounts receivable, marine mortgages on specified vessels and fixed and floating charge debentures	\$2,750,000	\$ 550,000
Industrial Development Bank loan, due 1977, bearing interest at 10%, secured by real property and marine mortgages and by a debenture creating a floating charge on the assets of the company	2,660,000	480,000
First mortgage sinking fund bonds payable in U.S. funds, at par		
4.60% Series "A" bonds, due 1974	800,000	100,000

RIVTOW STRAITS LIMITED and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 1972

	<u>Total</u>	<u>Due within one year</u>
5.75% Series "B" bonds, due 1977	500,000	100,000
Other loans, notes, mortgages and agreements payable	1,621,817	646,454
	8,331,817	<u>\$1,876,454</u>
Less principal instalments due within one year included in current liabilities	1,876,454	
	<u>\$6,455,363</u>	

Principal instalments due within each of the next five years are as follows:

1973	\$1,876,454
1974	2,285,744
1975	2,010,838
1976	1,455,933
1977	679,693

6. INCOME TAXES

Income for 1972 includes non-taxable items which has resulted in a lower effective tax rate than otherwise would have been the case.

Certain of the companies in the group have unutilized losses for income tax purposes aggregating \$236,700 and these continue to be available as deductions from future taxable income.

As a result of transactions with respect to vessels, no provision for deferred income taxes is required for the year. Further, it is anticipated that income taxes of approximately \$260,000 deferred in prior years will be eliminated in 1973 if proceeds of disposal of certain vessels are utilized in the manner provided by incentive measures in the income tax law. These reductions will be taken into income as they are realized.

7. COMMITMENTS AND CONTINGENT LIABILITIES

(a) The company is committed to lodge during 1973 deposits of approximately \$901,000 with the Department of Industry, Trade and Commerce. These deposits will be funded by a special line of credit provided by the company's bankers.

The deposits are required in lieu of the tax that would otherwise be payable on the recapture of depreciation of vessels. Arrangements have been made to sell these deposits at a discount.

(b) The company is obligated to purchase from the Industrial Development Bank prior to December 31, 1973 the remaining 9.5% of the issued shares of Great West Towing Ltd. at a minimum cost of approximately \$125,000, which will be financed by the company's bankers.

(c) The company is committed to advance \$60,000 for working capital to a newly formed company in which it will receive a 30% share interest.

(d) The company is negotiating an agreement to lease vessels for which the maximum charter fee will be \$385,000 per year for a five year period, with an option to purchase the vessels at that time.

8. DEPRECIATION

The company provides for depreciation of vessels by dividing the book values less the estimated residual value by the remaining estimated useful life of the vessels.

Plant and equipment, relatively minor amounts, are depreciated over their estimated useful life.

9. EXTRAORDINARY CREDITS (CHARGES)

	1972	1971
Reduction of deferred income taxes (note 6)	\$ 90,442	—
Reduction of current income taxes due to adjustment of prior years income (note 1)	63,500	—
Reduction of U.S. exchange rate on sinking fund bonds	15,000	\$ 19,000
Reversal of judgement with respect to legal suit for damages originally decided in favour of the company	—	(75,835)
	<u>\$168,942</u>	<u>\$(56,835)</u>

10. OTHER STATUTORY INFORMATION

Term loans to directors who are also officers amounted to \$22,500 at December 31, 1972 (1971—\$27,000).

11. SUBSEQUENT EVENT

In March 1973 the company exercised its option to acquire all of the issued shares of Nelson Ready-Mix Concrete Ltd. and subsidiary companies for a sum of \$600,000. The option price of \$20,000 will be applied to the purchase price and the balance is to be paid \$180,000 on March 31, 1973 and the remaining \$400,000 by ten equal annual instalments commencing December 15, 1973.

56,932

AUDITORS' REPORT

To the Shareholders of
RivTow Straits Limited

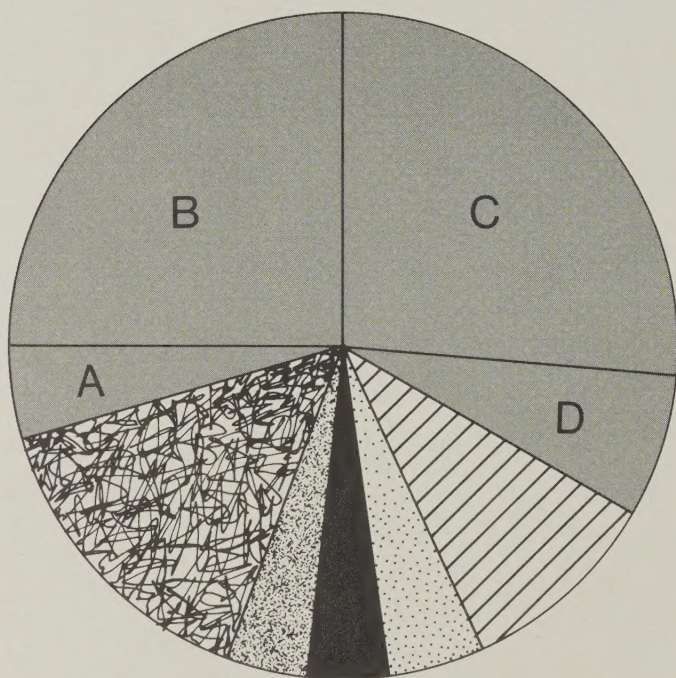
We have examined the consolidated balance sheet of RivTow Straits Limited and subsidiary companies as at December 31, 1972 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who examined the financial statements of a consolidated subsidiary company and certain affiliated companies which are accounted for by the equity method.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a consistent basis with that of the preceding year.

THORNE, GUNN AND CO.

March 30, 1973

Chartered Accountants



SOURCES OF REVENUES 1972

A	3.7%	Sorting	} 63.5% Forest Products
B	23.8%	Log Towing	
C	29.2%	Log Barging	
D	6.8%	Chip Scows	
	15.0%	Shipyards	
	3.4%	Sundry Marine	
	4.0%	Other	
	4.1%	Freight Scows	
	10.0%	General Scows	

14.1

THE FLEET

The Company operates over 120 boats of all sizes up to 4,000 H.P. and over 100 barges to 10,000 ton carrying capacity.



24 tugs over 500 H.P.



16 tugs over 300 H.P.



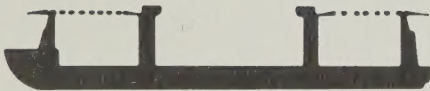
37 tugs under 300 H.P.



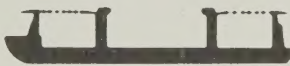
8 Other self propelled vessels



38 Boom Boats



2 10,000 ton capacity, self-loading, self-dumping log barges



1 6,000 ton capacity, self-loading, self-dumping log barge



2 5,000 ton capacity, self-loading, self-dumping log barges



2 7,500 ton capacity, self-dumping log barges



78 General purpose barges



18 Specialty barges



